

the Government of the United States by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered prima facie evidence that the person making the affidavit does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided further*, That any person who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts employment the salary or wages for which are paid from any appropriation in this Act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both: *Provided further*, That the above penalty clause shall be in addition to, and not in substitution for, any other provisions of existing law.

SEC. 5. This Act may be cited as the "Defense Aid Supplemental Appropriation Act, 1941".

Approved, March 27, 1941, 10:50 a. m., E. S. T.

Provisos.

Penalty.

Short title.

[CHAPTER 31]

AN ACT

To amend the National Housing Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Housing Act, as amended, is amended by the addition of the following title at the end thereof:

"TITLE VI—DEFENSE HOUSING INSURANCE

"SEC. 601. As used in this title—

"(a) The term 'mortgage' means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable; or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

"(b) The term 'mortgagee' includes the original lender under a mortgage, and his successors and assigns approved by the Administrator; and the term 'mortgagor' includes the original borrower under a mortgage and his successors and assigns.

"(c) The term 'maturity date' means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

"(d) The term 'State' includes the several States, and Alaska, Hawaii, Puerto Rico, the District of Columbia, and the Virgin Islands.

"SEC. 602. There is hereby created a Defense Housing Insurance Fund which shall be used by the Administrator as a revolving fund for the carrying out of the provisions of this title, and mortgages insured under this title shall be known and referred to as 'defense housing insured mortgages'. For this purpose, the Reconstruction Finance Corporation shall make available to the Administrator such funds as he may deem necessary, not to exceed \$10,000,000, and the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by an amount suffi-

March 28, 1941
[H. R. 3575]
[Public Law 24]

National Housing
Act, amendments.
48 Stat. 1246, 1265.
12 U. S. C. §§ 1701-
1733.

"Mortgage."

"First mortgage."

"Mortgagee."

"Mortgagor."

"Maturity date."

"State."

Defense Housing In-
surance Fund.

Availability of RFC
funds.

Provisos.
Cancellation of Corporation notes.

cient to provide such funds: *Provided*, That the Secretary of the Treasury is authorized and directed to cancel from time to time, upon the request of the Corporation, notes of the Corporation (which notes are hereby made available to the Secretary of the Treasury for purposes of this section), and to discharge its liability, as respects all sums due and unpaid upon or in connection with such notes at the time of such cancellation and discharge in a principal amount equal to the funds made available to the Administrator by the Corporation under or by reason of this title together with interest paid to the Treasury thereon: *Provided further*, That any evidence of indebtedness with respect to funds so disbursed by the Corporation shall be transferred to the Secretary of the Treasury; that the Secretary and the Corporation are authorized and directed to make such adjustments on their books and records as may be necessary to carry out the purposes of this section; that the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time under the provisions of this section shall be correspondingly reduced by the amount of notes so canceled by the Secretary, and that any sums at any time received by the Corporation, representing repayments or recoveries of funds so disbursed shall forthwith be covered into the general fund of the Treasury: *And provided further*, There shall be allocated immediately to the Defense Housing Insurance Fund the sum of \$5,000,000 out of funds made available to the Administrator for this purpose. General expenses of operation of the Federal Housing Administration under this title may be charged to the Defense Housing Insurance Fund.

Insurance of eligible mortgages.

"SEC. 603. (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage which is eligible for insurance as hereinafter provided and upon such terms as the Administrator may prescribe to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the property covered by the mortgage is in an area or locality in which the President shall find that an acute shortage of housing exists or impends which would impede national-defense activities: *Provided further*, That the aggregate amount of principal obligations of all mortgages insured under this section shall not exceed \$100,000,000: *And provided further*, That no mortgage shall be insured under this section after July 1, 1942, or after such earlier date as the emergency, declared by the President on September 8, 1939, to exist, has by his declaration ceased to exist, except pursuant to a commitment to insure issued on or before July 1, 1942, or such earlier date, whichever first occurs.

Provisos.
Locality of property.

Aggregate insurance.
Post, p. 686.
Duration of authority.

Eligibility requirements.

"(b) To be eligible for insurance under this section a mortgage shall—

Qualification of mortgagee.

"(1) have been made to, and be held by, a mortgagee approved by the Administrator as responsible and able to service the mortgage properly;

Amount of principal obligation.

"(2) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount not to exceed 90 per centum of the appraised value (as of the date the mortgage is accepted for insurance) of a property, urban, suburban, or rural upon which there is located a dwelling designed principally for residential use for not more than four families in the aggregate, which is approved for mortgage insurance or defense housing insurance prior to the beginning of construction, and (i) the construction of which is begun after the date of enactment of

this title, or (ii) the construction of which was begun after January 1, 1940, and prior to the date of enactment of this title, and which has not been sold or occupied since completion. Such principal obligation shall not exceed—

“(A) \$4,000 if such dwelling is designed for a single-family residence, or

“(B) \$6,000 if such dwelling is designed for a two-family residence, or

“(C) \$8,000 if such dwelling is designed for a three-family residence, or

“(D) \$10,500 if such dwelling is designed for a four-family residence;

“(3) have a maturity satisfactory to the Administrator but not to exceed twenty years from the date of the insurance of the mortgage;

Maturity, limitation.

“(4) contain complete amortization provisions satisfactory to the Administrator;

Amortization provisions.

“(5) bear interest (exclusive of premium charges for insurance) but not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed 6 per centum per annum if the Administrator finds that in certain areas or under special circumstances the mortgage market demands it;

Interest.

“(6) provide, in a manner satisfactory to the Administrator, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as herein provided) to amortization of the principal of the mortgage; and

Mortgagor's periodic payments.

“(7) contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

Terms and provisions respecting insurance, repairs, etc.

“(c) The Administrator is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1½ per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Administrator under this title at par plus accrued interest, in such manner as may be prescribed by the Administrator: *Provided*, That the Administrator may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Administrator finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this title, such mortgage may be accepted for insurance by endorsement or otherwise as the Administrator may prescribe; but no mortgage shall be accepted for insurance under this section unless the Administrator finds that the project with respect to which the mortgage is executed is economically sound. In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Administrator is further authorized

Premium charges for insurance of mortgages.

Proviso.
Initial premium charge or charges.

Adjusted premium charge.

in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this section until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, and a mortgage on the same property is accepted for insurance at the time of such payment, the Administrator is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

Refund of current
unearned premium
charges.

Contract conclusive
evidence of eligibility;
validity.

Foreclosures; pay-
ment of insurance.

Conditions.

Termination of ob-
ligation to pay pre-
mium charges.

Debentures and cer-
tificates of claim.

Value of mortgage,
determination.

Proviso.
Cost of foreclosure
included in debenture.

"(d) Any contract of insurance heretofore or hereafter executed by the Administrator under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

"SEC. 604. (a) In any case in which the mortgagee under a mortgage insured under this title shall have foreclosed and taken possession of the mortgaged property, in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Administrator of title to the property which meets the requirements of rules and regulations of the Administrator in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations; and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Administrator. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Administrator shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Administrator, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, ground rents, and water rates, which are liens prior to the mortgage, special assessments which are noted on the application for insurance or which become liens after the insurance of the mortgage, insurance of the mortgaged property, and any mortgage insurance premiums paid after either of such dates and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property

as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Administrator, on account of the cost of foreclosure (or of acquiring the property by other means) actually paid by the mortgagee and approved by the Administrator an amount—

“(1) not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings and not in excess of \$75; or

“(2) not in excess of two-thirds of such cost, whichever is the greater.

“(b) The Administrator may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage: *Provided*, That the mortgagor shall not be released from such liability in any case until the Administrator is satisfied that the mortgaged property has been sold to a purchaser satisfactory to the Administrator, and that such purchaser has paid on account of the purchase price, in cash or its equivalent, at least 10 per centum of the appraised value of such property as determined by the Administrator as of the date the mortgage is accepted for insurance.

Release of mortgagor from liability.

Proviso.

“(c) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Administrator with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Administrator to the mortgagee from the Defense Housing Insurance Fund.

Debentures, form and denominations.

“(d) The debentures issued under this section to any mortgagee shall be executed in the name of the Defense Housing Insurance Fund as obligor, shall be signed by the Administrator by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, and shall bear interest from such date at a rate determined by the Administrator, with the approval of the Secretary of the Treasury, at the time the mortgage was offered for insurance, but not to exceed 3 per centum per annum, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature three years after the 1st day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued. Such debentures shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by any Territory, dependency, or possession of the United States, or by the District of Columbia, or by any State, county, municipality, or local taxing authority, and shall be paid out of the Defense Housing Insurance Fund, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event that the Defense Housing Insurance Fund fails to pay upon demand, when due, the principal of or interest on any debentures issued under this section, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not

Execution of debentures, etc.

Maturity.

Tax exemption.

Failure of Fund to pay.

otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

Certificate of claim.

“(e) The certificate of claim issued by the Administrator to any mortgagee shall be for an amount which the Administrator determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, at the time of the conveyance to the Administrator of the property covered by the mortgage, the mortgagor had redeemed the property and paid in full all obligations under the mortgage and a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings, or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Administrator. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 per centum per annum which shall not be compounded. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (f).

Excess net earnings.

“(f) If the net amount realized from any property conveyed to the Administrator under this section and the claim assigned therewith, after deducting all expenses incurred by the Administrator in handling, dealing with, and disposing of such property and in collecting such claims, exceeds the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows:

“(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Administrator shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property; and

“(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Administrator shall pay to the holder of such certificate the full amount of such excess.

Handling and disposal of real property.

“(g) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Administrator shall have power to deal with, complete, rent, renovate, modernize, insure, make contracts or establish suitable agencies for the management of, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Administrator as provided in this section, except that no suit or action shall be commenced by the Administrator against any such mortgagor on account of any claim so assigned unless such suit or action is commenced within six months after the assignment of such claim to the Administrator, or within six months after the last payment was made to the Administrator with respect to the claim so assigned, whichever is later: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000. The power to convey and to execute in the name of

Settlement of claims.

Proviso.
41 U. S. C. § 5.

Delegation of power.

the Administrator deeds of conveyances, deeds of release, assignments, and satisfactions of mortgages, and any other written instrument relating to real property or any interest therein heretofore or hereafter acquired by the Administrator pursuant to the provisions of this Act, may be exercised by the Administrator or by any Assistant Administrator appointed by him, without the execution of any express delegation of power or power of attorney: *Provided*, That nothing in this subsection shall be construed to prevent the Administrator from delegating such power by order or by power of attorney in his discretion, to any officer, agent, or employee he may appoint.

“(h) No mortgagee or mortgagor shall have and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Administrator or in any claim assigned to him; nor shall the Administrator owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collection of any such claim.

“SEC. 605. (a) Moneys in the Defense Housing Insurance Fund not needed for the current operations of the Federal Housing Administration under this title shall be deposited with the Treasurer of the United States to the credit of the Defense Housing Insurance Fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States. The Administrator may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of section 604. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

“(b) Premium charges, adjusted premium charges, and appraisal and other fees received on account of the insurance of any mortgage accepted for insurance under this title, the receipts derived from the property covered by such mortgage and claims assigned to the Administrator in connection therewith shall be credited to the Defense Housing Insurance Fund. The principal of, and interest paid and to be paid on debentures issued under this title, cash adjustments, and expenses incurred in the handling, management, renovation, and disposal of properties acquired under the title shall be charged to the Defense Housing Insurance Fund.

“SEC. 606. Nothing in this title shall be construed to exempt any real property acquired and held by the Administrator under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

“SEC. 607. The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title.”

SEC. 2. Section 1 of title I of such Act, as amended, is further amended by striking the words “titles II and III” each time they appear, and inserting in lieu thereof the words “titles II, III, and VI”.

SEC. 3. Section 5 of title I of such Act, as amended, is amended by striking the words “titles II and III” and inserting in lieu thereof the words “titles II, III, and VI”.

SEC. 4. (a) Section 201 of title II of such Act, as amended, is amended (1) by striking out the words “district, or Territory” in subsection (a) of such section, and (2) by adding at the end thereof the following new subsection:

“(d) The term ‘State’ includes the several States, and Alaska, Hawaii, Puerto Rico, the District of Columbia, and the Virgin Islands.”

Mortgagee's or mortgagor's interest in conveyed property.

Deposit of surplus moneys.

Purchase of debentures by Administrator.

Credits and charges to Fund.

Taxation of real property.

Rules and regulations.

48 Stat. 1246.
12 U. S. C. § 1702.

48 Stat. 1247.
12 U. S. C. § 1706.

52 Stat. 9.
12 U. S. C. § 1707.

52 Stat. 16.
12 U. S. C. § 1713.

(b) Section 207 (a) of title II of such Act, as amended, is amended (1) by striking out the words "district, or Territory" in paragraph (1) of such section, and (2) by adding at the end thereof the following new paragraph:

"(7) The term 'State' includes the several States, and Alaska, Hawaii, Puerto Rico, the District of Columbia, and the Virgin Islands."

52 Stat. 22.
12 U. S. C. § 1715.

(c) Section 209 of title II of such Act, as amended, is amended by striking out the words "Fund and the Housing Fund" and inserting in lieu thereof the words "Fund, the Housing Fund, and the Defense Housing Insurance Fund".

52 Stat. 23.
12 U. S. C. § 1716.

SEC. 5. Section 301 (a) (2) of title III of such Act, as amended, is further amended by striking the words "title II" and inserting in lieu thereof the words "titles II and VI".

48 Stat. 1254.
12 U. S. C. § 1717.

SEC. 6. The first sentence of section 302 of title III of such Act, as amended, is further amended, by striking the words "title II" and inserting in lieu thereof the words "titles II and VI".

48 Stat. 1261.
12 U. S. C. § 1430.

SEC. 7. Section 10 (a) of the Federal Home Loan Bank Act, as amended, is amended by striking the words "title II" and inserting in lieu thereof the words "titles II and VI".

49 Stat. 706.
12 U. S. C. § 371.

SEC. 8. The third sentence of section 24 of the Federal Reserve Act, as amended, is further amended by striking the words "Title II" and inserting thereof the words "Titles II and VI".

Saving clause.

SEC. 9. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Approved, March 28, 1941.

[CHAPTER 32]

AN ACT

Making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1941, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1941, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1941, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1941, and for other purposes, namely:

TITLE I—GENERAL APPROPRIATIONS LEGISLATIVE

SENATE

For payment to Mimosa Gates Pittman, widow of Key Pittman, late a Senator from the State of Nevada, \$10,000.

HOUSE OF REPRESENTATIVES

For payment to the widow of William D. Byron, late a Representative from the State of Maryland, \$10,000.

For payment to the widow of Sam C. Massingale, late a Representative from the State of Oklahoma, \$10,000.

For payment to the widow of Kenneth F. Simpson, late a Representative from the State of New York, \$10,000.

The three foregoing items to be disbursed by the Sergeant at Arms of the House of Representatives.

April 1, 1941
[H. R. 3836]

[Public Law 25]

First Deficiency Ap-
propriation Act, 1941.